



1970 ANNUAL REPORT

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Morton A. Sterling, President
Robert H. Collins III, Vice President
Raymond R. Taylor, Vice President
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TRANSFER AGENT

Guaranty Trust Co.
540 Burrard Street, Vancouver

LISTED

Vancouver Stock Exchange

INTER-TECH DEVELOPMENT AND RESOURCES, LTD. (N.P.L.)

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1971

(Unaudited)

ORVILLE JOHN HOAG, JR.

certified public accountant

June 30, 1971

To the Board of Directors of
Inter-Tech Development and Resources, Ltd. (N.P.L.)

Enclosed is the consolidated balance sheet of Inter-Tech Development and Resources, Ltd. (N.P.L.) and its subsidiaries as at March 31, 1971 and the consolidated statement of earnings and deficit for the three months then ended. These financial statements were prepared from the company's books and records without audit, and therefore I do not express an opinion on them.

Orville John Hoag Jr

1970 ANNUAL REPORT TO SHAREHOLDERS

We submit herewith the Company's Financial Statements for the year ended December 31, 1970 together with a brief summary of our exploration and development activities.

SALT LAKE FIELD

The year 1970 has proven to be the most important year to date since your Company's entry into the field of oil and gas exploration. In April 1969, Inter-Tech acquired subsurface oil and gas leases on the north flank of the Salt Lake Field in mid-Los Angeles, California. In June of 1969, the Company drilled an exploratory corehole to evaluate these leases and encountered over 300 feet of oil sand indicating the potential presence of a major extension of the Salt Lake Field. Following the conclusion of the tedious procedures required in qualifying within the city limits of Los Angeles, a drilling district to cover the leases was formed, and your Company completed the confirmation well, Oakwood #1, for an initial production rate of 130 barrels of oil per day plus 52 Mcf of gas from a total depth of 3,300 feet.

Based upon this confirmation well, your Company then proceeded to successfully finance a \$500,000 development program through the formation of a limited partnership in which Inter-Tech retained a 30% interest until the limited partners recover their investment at which time Inter-Tech's interest increases to 50%. Your Company then proceeded to successfully drill and complete three additional wells on its leases in the Salt Lake Field.

A review of the results of drilling to the end of January as submitted to the Company by its independent consulting petroleum geologist indicated that our wells had encountered an average aggregate thickness of 330 feet of productive sand representing an increase over the original estimates made initially in 1969. Further, the report stated, "Presently developed primary reserves are now estimated to be 3,072,000 barrels. Semi-proven reserves lying under the remaining undrilled portion of the District are

estimated to be 2,304,000 barrels. The total recoverable reserves are now estimated to be 5,376,000 barrels." These oil reserves are attributable to the Company's District U-167 as of the beginning of 1971. No reserve estimates were made at this time of the balance of the Company's adjacent holdings.

Under the terms of the initial \$500,000 limited partnership program, the limited partners exercised their option for additional drilling, and a second fund was formed in March of 1971 in the amount of \$375,000 for the drilling of a northerly extension test to further expand the field's potential productive area, to be followed by the drilling and completion of two development wells. Initial results of this program are of major significance to your Company. The northerly test, directionally drilled reaching angles up to 70°, successfully encountered the main productive horizons in the Salt Lake Field penetrating over 250 feet of oil sand commencing at a drill depth of 3,450 feet and an additional 100 feet commencing at 3,850 feet in depth. Initial review of the electric logging and cutting analyses indicates that this northerly potential could surpass the productivity encountered by your Company in its development drilling to date. Inter-Tech will now proceed with the formation of a new drilling district to encompass this northerly extension, and it is hoped that we will be able to complete the necessary work with the City of Los Angeles to facilitate actively drilling development wells into this new drilling district yet this year.

Collaterally with the formation of a new northerly extension district, your Company has filed with the City of Los Angeles for an eastern extension district of some 50 additional acres encompassing the Company's leases in that area together with leases acquired from Standard Oil Company of California on a farmout basis. We anticipate that this eastern extension will be tested in the third quarter of this year.

Thus to date Inter-Tech has successfully financed in the United States some \$875,000 for the development and expansion of its Salt Lake Field holdings.

OTHER ACTIVITIES

North Kitty Field, Campbell County, Wyoming Inter-Tech, with its partners, drilled and completed four

INTER-TECH DEVELOPMENT AND RESOURCES, LTD. (N.P.L.)

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 1971

ASSETS

CURRENT ASSETS	
Cash in bank	\$26,187
Accounts receivable	66,177
Prepaid expenses	<u>1,972</u>
Total current assets	\$94,336
MINERAL RIGHTS AND INTERESTS	
At cost, measured to the extent of \$635,000 by the issue of 1,340,000 shares	708,396
OIL AND GAS RIGHTS AND INTERESTS	
At cost, (measured to the extent of \$306,250 by the issue of 200,000 shares), less accumulated depreciation and depletion of \$8,543	707,097
OFFICE EQUIPMENT	
At cost, less accumulated depreciation of \$4,003	8,905
ORGANIZATION COSTS AND OTHER	<u>5,186</u>
	<u>\$1,523,920</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	\$46,748
Notes payable	<u>25,993</u>
Total current liabilities	\$72,741
OTHER LIABILITIES (NOTE 2)	17,500
DEFERRED INCOME (NOTE 3)	38,265
SHARE CAPITAL	
Authorized - 6,000,000 shares without nominal or par value	
Issued - 4,190,000 shares	\$2,227,680
DEFICIT	<u>(832,266)</u>
	<u>\$1,395,414</u>
	<u>\$1,523,920</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS


Morton A. Sterling

Prepared Without Audit


Robert H. Collins, III

INTER-TECH DEVELOPMENT AND RESOURCES, LTD. (N.P.L.)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE THREE MONTHS ENDED MARCH 31, 1971

REVENUE

Oil and gas production,	
less depletion of \$1,275	\$14,683
Turnkey drilling operations	<u>59,390</u>
Total revenue	\$74

EXPENSES

Legal and accounting	\$4,294
General	3,404
Travel and entertainment	947
Office rent and expenses	4,502
Management fee	6,120
Telephone	1,028
Wages	3,223
Depreciation	<u>640</u>

Total expenses

NET INCOME	\$49
DEFICIT, DECEMBER 31, 1970	(882)
DEFICIT, MARCH 31, 1971	<u>\$ (832)</u>

Prepared Without Audit

INTER-TECH DEVELOPMENT AND RESOURCES, LTD. (N.P.L.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 1971

NOTE 1 - CONSOLIDATION

The consolidated financial statements include the financial statements of the company and all of its subsidiaries, Inter-Tech Resources, Inc., Inter-Tech Beryllium Mines Inc., and one inactive subsidiary, Inter-Tech Resources (Australia) Ltd. For the purposes of inclusion in the financial statements, accounts prepared in foreign currencies have been restated in Canadian dollars.

NOTE 2 - OTHER LIABILITIES

The company is liable for a non-interest bearing note in the amount of \$17,500 due January 21, 1972. At its option, the company may liquidate the note with common shares of Inter-Tech Development & Resources Ltd. (N.P.L.). The number of shares will be determined on the basis of the greater of \$0.87½ per share or the current quoted market price on January 21, 1972. It is management's intention to liquidate the note in this manner.

NOTE 3 - DEFERRED INCOME

Prior to March 31, 1971, the company had entered into turnkey drilling commitments relative to its leaseholds in the Salt Lake Field, Los Angeles. The company in turn, has sub-contracted substantially all of this work, also on a turnkey basis. The amount of \$38,265 shown as deferred income represents the estimated profit from these drilling operations; the subject wells were not yet completed at March 31, 1971.

wells in an extension of the North Kitty Field on a farmout from Cities Service Oil Company. The Company has a 4-1/6% interest in this program. Current production is approximately 250 barrels per day and 1 million Mcf of gas per day.

Southeast Claytonville Canyon Sand Field, Fisher County, Texas Your Company acquired a 12.5% interest in two producing wells in this field. Current production is nominal; however, the Company anticipates that the field will be unitized for a major waterflood program.

South Melde Drilling Block, Nueces County, Texas The Company raised a \$100,000 drilling fund to test its 380 acre drilling block. The test well was unsuccessful and abandoned in January 1971. Further development potential is doubtful.

Blue Ridge Field, Gulf Coast Area of Texas Your Company, with its partners, has a 20% interest in five producing wells with some offset drilling potential. These holdings are presently under investigation.

Hunter Bay Uranium Claims, Northern Saskatchewan Aerial radiometric and magnetic surveys of the area were performed revealing numerous anomalous radiometric systems. Further field work was recently

completed and is now being evaluated for the programming of follow-up work on several areas of indicated high uranium potential.

Monte Cristo Beryllium Mine, Arizona, U.S.A. Market study was completed for the Company by a major international metal marketer. The Company is now delineating a test program for possible diamond drilling on selected portions of the indicated area of deposit.

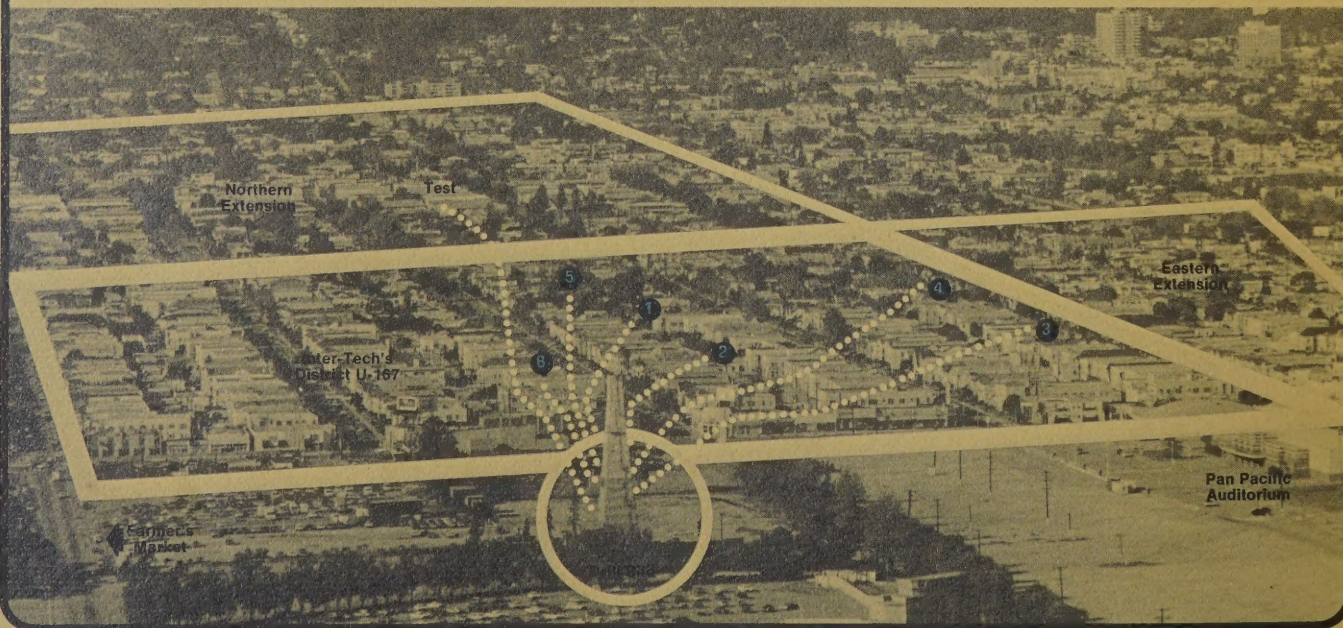
TER Claims, Tay River Area, Yukon Territory During July and August 1970, the Company concluded tagging and survey operations and geochemical exploration. Results of this field work are presently under study to determine future plans.

We wish to thank our shareholders for their patience and valued support and our many associates who have been so helpful this past year in building a strong base for Inter-Tech's future.

Respectfully submitted on behalf of the Board of Directors,

Morton A. Sterling
President

Scene of important oil and gas discoveries by Inter-Tech in the past year — the Salt Lake Field in downtown Los Angeles. Dotted lines indicate the drill direction and location of the Oakwood series of wells and the test corehole completed in 1971.



AUDITORS' REPORT

To the Shareholders of
INTER-TECH DEVELOPMENT AND
RESOURCES LTD. (N.P.L.):

We have examined the consolidated balance sheet of Inter-Tech Development and Resources Ltd. (N.P.L.) and its subsidiaries as at December 31, 1970 and the consolidated statements of earnings and deficit, deferred exploration and development expenditures and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

Vancouver, B.C.
March 26, 1971

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change (which we approve) in accounting for the costs of exploration and development of mineral properties referred to in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1970

ASSETS	1970	1969
CURRENT ASSETS:		
Cash and time deposits	\$ 145,685	\$ 303,876
Accounts receivable	16,487	2,517
Prepaid expenses	9,721	23,572
	<u>171,893</u>	<u>329,965</u>
MINERAL RIGHTS AND INTERESTS in properties, at cost, measured to the extent of \$635,000 by the issue of 1,340,000 shares (Note 2)	<u>708,396</u>	<u>695,756</u>
OIL AND GAS RIGHTS AND INTERESTS (Notes 2 and 4):		
Properties, at cost, measured to the extent of \$306,250 by the issue of 200,000 shares, less accumulated depletion of \$7,013	686,900	290,644
Deferred exploration and development expenditures	33,445	295,968
	<u>720,345</u>	<u>586,612</u>
OFFICE EQUIPMENT , at cost, less accumulated depreciation of \$3,443 (\$920 — 1969)	<u>9,030</u>	<u>6,751</u>
ORGANIZATION COSTS	<u>2,983</u>	<u>2,171</u>
	<u>\$ 1,612,647</u>	<u>\$ 1,621,255</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 120,960	\$ 53,700
Notes payable	26,972	—
Advances by partnership to finance well costs (Note 4)	95,168	—
	<u>243,100</u>	<u>53,700</u>
LONG-TERM DEBT (Note 8)	<u>24,048</u>	<u>—</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL:		
Authorized — 6,000,000 shares without nominal or par value		
Issued (Note 5) — 4,190,000 shares	2,227,680	2,171,430
DEFICIT	<u>882,181</u>	<u>603,875</u>
	<u>1,345,499</u>	<u>1,567,555</u>
	<u>\$ 1,612,647</u>	<u>\$ 1,621,255</u>
Approved on behalf of the Board: MORTON A. STERLING, Director GEORGE E. SCOTT, Director		

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969*
Revenue:		
Operating revenue, less depletion of \$4,016	\$ 28,322	\$ —
Sundry income	11,339	5,156
	<u>39,661</u>	<u>5,156</u>
Expenses:		
Legal, audit and accounting	48,491	35,224
General	35,224	13,492
Travel and entertainment	7,686	17,813
Office rent and general	18,512	19,665
Management fee	41,020	10,100
Depreciation	6,268	920
Miscellaneous	5,714	3,048
Transfer and filing fees	1,999	6,000
Telephone	8,894	6,669
Wages	17,994	4,820
	<u>191,802</u>	<u>117,751</u>
Cost of exploration and development and projects terminated during the year	124,265	77,317
Mineral properties written off	1,900	25,150
	<u>317,967</u>	<u>220,218</u>
Loss for the year	278,306	215,062
Deficit at beginning of year	603,875	388,813
Deficit at end of year	<u>\$ 882,181</u>	<u>\$ 603,875</u>

* Restated for comparative purposes

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES — OIL AND GAS RIGHTS AND INTERESTS FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
Cost of exploration and development expenditures at beginning of year	\$ 295,968	\$ —
<i>Add —</i>		
Expenditures during year:		
Exploration —		
Consulting engineering fees	—	12,965
Geophysical surveying	—	48,223
Drilling	—	216,622
Miscellaneous	—	10,269
Legal	—	10,704
Transfer and filing fees	—	13,681
Leasehold fees	33,445	—
	<u>33,445</u>	<u>312,464</u>
	329,413	312,464
<i>Deduct —</i>		
Cost of exploration and development capitalized during the year	263,616	—
Cost of exploration and development terminated during the year	32,352	16,496
	<u>295,968</u>	<u>16,496</u>
Cost of exploration and development expenditures at end of year	\$ 33,445	\$ 295,968

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969*
Source:		
Increase in long-term debt	\$ 24,048	\$ —
Proceeds from issue of shares for cash	—	860,000
	<u>24,048</u>	<u>860,000</u>
Application:		
Loss for the year	278,306	215,062
Deduct —		
Charges which do not involve an outlay of working capital —		
Depletion	4,016	—
Depreciation	6,268	920
Exploration and development terminated	32,352	16,496
Mineral properties written off	1,900	25,150
	<u>233,770</u>	<u>172,496</u>
Deferred exploration and development expenditures	33,445	312,464
Purchase of mineral property	14,540	54,006
Purchase of oil producing properties	84,151	40,644
Purchase of office equipment	4,802	7,671
Organization costs	812	2,171
	<u>371,520</u>	<u>589,452</u>
Increase (decrease) in working capital	(347,472)	270,548
Working capital at beginning of year	276,265	5,717
Working capital(deficiency)at end of year	<u>(\$ 71,207)</u>	<u>\$ 276,265</u>

* Restated for comparative purposes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1970

1. The consolidated financial statements include the financial statements of the Company and all of its subsidiaries, Inter-Tech Resources, Inc., Inter-Tech Beryllium Mines Inc., and one inactive subsidiary, Inter-Tech Resources (Australia) Ltd.

For the purposes of inclusion in the financial statements, accounts prepared in foreign currencies have been restated in Canadian dollars.

2. Accounting policies with respect to the Companies' rights and interests are as follows:

(a) Mineral

Costs of mineral properties are deferred until a decision is made to abandon a property, at which time the cost of the property is written off. It had been the Company's practice to defer costs of exploration and development on this basis. During 1970, however, the Company adopted the practice of charging current costs of exploration and development on its mineral properties against earnings for the year, and in line with this policy all deferred costs of exploration and development of mineral properties incurred in prior years have also been written off. Accordingly, the balance of deficit at December 31, 1968 has been restated from the amount previously reported to reflect the retroactive charge of \$324,890 for the additional write-off of exploration and development costs incurred to that date and the loss for the year ended December 31, 1969 has been increased by \$39,736 to reflect the additional write-off relating to that year.

(b) Oil and Gas

The cost of productive wells and property acquisition costs, including geological and geophysical expenses, are capitalized. Dry hole costs, terminated projects and general administrative expenses are charged to income as incurred. Provisions for depreciation, depletion and amortization of producing properties have been provided on the unit of production method based on estimated recoverable oil and gas reserves.

For United States income tax purposes, the Company's U.S. subsidiary (ITR) has elected to write off intangible drilling and development costs as expenses in the year incurred. Such costs, together with regular operating losses, aggregated approximately U.S. \$293,000 in 1969 and U.S. \$240,000 in 1970. The net operating losses are available as a deduction from taxable income subject to United States income taxes for five succeeding years.

3. The principal stockholders and officers of Inter-Tech Development & Resources Ltd. (N.P.L.) participated with the Company in the following transactions during the year ended December 31, 1970:

(a) North Kitty Prospect

The Company, through Inter-Tech Resources, Inc. (ITR), a wholly-owned subsidiary, paid \$25,000 for a 4-1/6% interest as a limited partner in a drilling venture (capitalized at \$600,000) in which Petroleum Management Corporation (PMC) is the general partner. PMC serves as operators and consultants in oil and gas exploration, development and management. Morton A. Sterling, President of the Company, is a principal of PMC. The limited partnership drilled and completed four producing oil and gas wells. Under terms of the limited partnership, PMC received ten (10) per cent of the capital contributions as a management fee and a twenty-five (25) per cent reversionary working interest after full capital recoupment by ITR and other limited partners.

(b) South Melde Prospect

The Company, through ITR, undertook drilling of the South Melde Prospect leasehold, which interest was acquired from J. D. Sterling for 50,000 shares of Inter-Tech Development and Resources Ltd. (N.P.L.). The Company as general partner contributed its leasehold interest and the limited partners provided \$100,000 to finance drilling of a well by Petroleum Management Corporation on a turnkey contract basis. The well was a dry hole and on January 21, 1971, pursuant to the partnership agreement and a related "dry hole" letter, ITR executed a \$17,500 non-interest bearing note which is due January 21, 1972; in addition, PMC paid \$20,000 cash to the limited partners. At the exclusive option of ITR, the note may be liquidated either in cash or in the form of common shares of Inter-Tech Development and Re-

inter-tech

DEVELOPMENT AND RESOURCES LTD. (N.P.L.)

sources Ltd. (N.P.L.). The number of shares will be determined on the basis of the greater of \$0.87½ per share or the current quoted market price on January 21, 1972. The Company's leasehold cost and the related liability are included in terminated projects in the financial statements at December 31, 1970.

(c) Salt Lake Field Litigation

At December 31, 1969 ITR was a defendant in a suit brought by a prior interest holder in certain leases in the Salt Lake Field. During 1970 a full settlement of this lawsuit was effected and ITR agreed to an approximate three (3) per cent overriding royalty from oil produced in the Oakwood Drilling District; ITR also agreed to pay U.S. \$44,276, 50% in cash at the time of settlement and the balance due no later than December 2, 1971. Payment of this balance was personally guaranteed for the Company by Messrs. Morton A. Sterling, Robert H. Collins, III and Theodore Avchen, officers and directors of the Company.

With respect to the transactions outlined above, it is the opinion of management that they do not represent any conflict of interest with respect to the Company and its subsidiaries.

4. The principal asset of Inter-Tech Resources, Inc. is its investment in oil and gas leases in the Salt Lake Field in the City of Los Angeles which is carried at approximately \$590,000. During 1970 a limited partnership with ITR as a general partner was formed to drill three wells in the Oakwood Drilling District of the Salt Lake Field. Under terms of the partnership agreement, ITR contributed 30% of its working interest in Oakwood well No. 1 (which went on production in August 1970) and the use of certain of its leases to the partnership; the development of the three additional wells was financed by \$500,000 contributed by the limited partners. In addition to the 30% interest in Oakwood well No. 1, the limited partners will receive 70% of partnership net cash receipts from the three wells (which were, except for surface equipment, substantially complete at December 31, 1970) until all capital costs are recovered; thereafter such receipts will be shared on a 50-50 basis.

The investment is also subject to an agreement dated April 25, 1969 with Jade Oil & Gas Inc., with Jade as operator and Inter-Tech as non-operator,

providing for the drilling of a core hole (now Oakwood well No. 1) and additional wells in the Oakwood Drilling District of the Salt Lake Field. Under this agreement, Inter-Tech is to have 75% and Jade is to have 25% of the net working interest in all production resulting from said wells. Inter-Tech may advance all costs of drilling and necessary production equipment and is entitled to recover such costs from 100% of the net working interest plus interest at 12% per annum on monies advanced on behalf of Jade prior to Jade participating in any income.

5. In 1970 the Company issued 75,000 shares valued at \$56,250 to J. D. Sterling for the acquisition by Inter-Tech Resources, Inc. of oil and gas leases in the United States, of which 50,000 shares relate to the South Melde Prospect (Note 3b). After giving effect to the foregoing, the consideration received for the issued share capital at December 31, 1970 was as follows:

	Number of shares	Amount
For cash	1,635,299	\$1,136,430
For mineral rights and interest	1,340,000	635,000
For oil and gas leases on behalf of subsidiary	200,000	306,250
For development and exploration of mineral properties	1,014,701	150,000
	<u>4,190,000</u>	<u>\$2,227,680</u>

6. Aggregate remuneration paid to directors during 1970 totalled \$35,322.

7. On March 26, 1971, ITR entered into a limited partnership (capitalized at \$375,000) for the development of two additional wells in the Oakwood Drilling District of the Salt Lake Field and a northerly extension corehole test.

8. Long-term debt consists of the \$17,500 note described in Note 3(b) and \$6,548 representing the estimated portion of ITR's investment in the North Kitty venture which will be paid after December 31, 1971.

inter-tech
DEVELOPMENT AND RESOURCES LTD. (I.P.L.)

1770 - 777 Hornby Street
Vancouver, British Columbia, Canada

Suite 906, Robertson Plaza
116 North Robertson Blvd.
Los Angeles, Calif., U.S.A. 90048